

TENNESSEE GENERAL ASSEMBLY  
FISCAL REVIEW COMMITTEE



**CORRECTED  
FISCAL NOTE**

**HB 865 - SB 1338**

April 29, 2021

**SUMMARY OF BILL:** Removes the ability for a local education agencies (LEAs) whose average licensed salary exceeds the statewide average salary to expend basic education program (BEP) funds which are for instructional salaries and wages on instructional benefits. Requires the State Board of Education (SBE) to determine the percentage of any increase in funds appropriated to the instructional salaries and wages component of the BEP for a fiscal year, as compared to such appropriation in the immediately preceding fiscal year, and increase the minimum salary on the state salary schedule by that percentage.

**ESTIMATED FISCAL IMPACT:**

On March 23, 2021, a fiscal note for this legislation was issued estimating a fiscal impact as follows:

*Increase Local Expenditures – \$99,000/FY21-22 and Subsequent Years\**

*Other Fiscal Impact - LEAs that currently use BEP funding for instructional salaries and wages for instructional benefits will need to increase local expenditures in order to maintain current funding levels for instructional benefits. The extent to which LEAs will be impacted and the number of LEAs impacted are unknown but it is reasonably estimated the permissive increase in local expenditures will exceed \$1,000,000 statewide.*

Based on updated information provided by the Department of Education, the estimated fiscal impact has been corrected as follows:

**(CORRECTED)**

**Other Fiscal Impact - LEAs that currently use BEP funding for instructional salaries and wages for instructional benefits will need to increase local expenditures in order to maintain current funding levels for instructional benefits. The extent to which LEAs will be impacted and the number of LEAs impacted are unknown but it is reasonably estimated the permissive increase in local expenditures will exceed \$1,000,000 statewide.**

Assumptions:

- The proposed legislation will require the minimum salary on the state salary schedule to be increased by the same percentage as an increase in funding appropriated for the instructional salary and wages component of the BEP.
- This analysis assumes a four percent increase to the instructional salary and wages component of the BEP will occur in FY21-22.
- The current minimum salary is \$36,000; a four percent increase will result in a new minimum salary of \$37,440 (\$36,000 x 1.04).
- Based on the FY20-21 salary data, 60 LEAs will be required to increase their minimum salaries by an estimated \$4,861,160.
- A four percent increase to the instructional salary component will generate additional salary funding for all LEAs, which could be used by LEAs to meet the new minimum salaries requirements.
- It is estimated that all of the affected LEAs will receive sufficient new instructional salary funding to meet the required increases.
- LEAs will be required to use all funds appropriated for instructional salaries and wages solely for instructional salaries and wages as a result of removing the authorization for LEAs to spend excess funding on instructional benefits when the average licensed salary is above the statewide average salary.
- LEAs that currently use funding for instructional salaries and wages funding for instructional benefits will need to increase local expenditures in order to maintain current funding levels for instructional benefits. The extent to which LEAs will be impacted and the number of LEAs impacted are unknown but it is reasonably estimated the permissive increase in local expenditures will exceed \$1,000,000 statewide.

**CERTIFICATION:**

The information contained herein is true and correct to the best of my knowledge.



Krista Lee Carsner, Executive Director

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